

**IuteCredit Albania sha**  
**Financial Statements**  
**For the year ended 31 December 2021**  
**(with Independent Auditor's Report thereon)**

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## INDEPENDENT AUDITORS' REPORT

To the Management of IuteCredit Albania sha

### Opinion

We have audited the financial statements of IuteCredit Albania Sh.a ("the Company"), which include the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements have been prepared in all material respects in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the International Accounting Standards Board (IASB) and the ethical requirements of the Authorised Accounting Experts Institute in Albania (IEKA) which are applicable for the profession in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work that we have performed, we conclude that there is a material misstatement of this other information, then we are required to report that fact. As of the date of this report, the Company did not yet publish the other information. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Nexia AL**

Statutory Auditor  
Orjana Kalaja



Tirana, Albania  
15 February 2022

IuteCredit Albania sh.a

Statement of Financial Position as at 31 December 2021

(all amounts are expressed in Albanian Lek, unless otherwise stated)

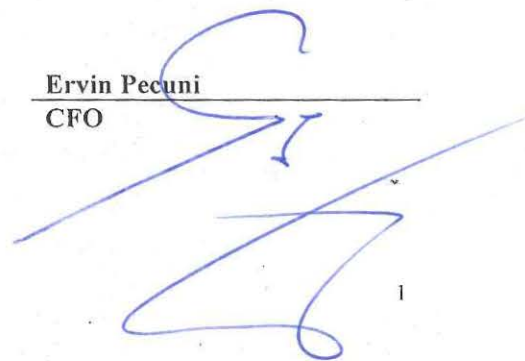
	Notes	31 December 2021	31 December 2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property Plant and Equipment	6	57,451,124	45,346,412
Intangible assets	7	12,730,724	16,974,156
Right of use for leased assets	8	61,788,902	103,440,889
Loan and advances to customers	9	2,890,660,475	401,855,958
<b>Total non-current assets</b>		<b>3,022,631,225</b>	<b>567,617,415</b>
<b>Current assets</b>			
Loan and advances to customers	9	1,709,304,191	2,902,025,615
Cash and cash equivalents	10	518,058,749	257,233,023
Receivables from financial institutions	11	21,052,263	15,582,156
Other receivables	12	44,602,213	23,297,254
<b>Total current assets</b>		<b>2,293,017,416</b>	<b>3,198,138,048</b>
<b>Total Assets</b>		<b>5,315,648,641</b>	<b>3,765,755,463</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	13	3,302,168,057	947,382,101
Lease liability	15	38,973,659	68,036,836
<b>Total non-current liabilities</b>		<b>3,341,141,716</b>	<b>1,015,418,937</b>
<b>Current liabilities</b>			
Borrowings	13	171,503,125	1,257,779,089
Corporate bonds	14	-	69,010,000
Lease liability	15	32,124,020	33,425,895
Provisions	16	23,780,511	11,104,353
Trade and other payables	17	271,384,011	172,067,265
Income tax payable		9,626,637	34,754,361
Other payables	18	64,054,482	118,130,802
<b>Total current liabilities</b>		<b>572,472,786</b>	<b>1,696,271,765</b>
<b>Total Liabilities</b>		<b>3,913,614,502</b>	<b>2,711,690,702</b>
<b>Capital</b>			
Share capital	19	65,000,000	65,000,000
Legal Reserve	19	6,500,000	6,500,000
Retained earnings		1,330,534,139	982,564,761
<b>Equity</b>		<b>1,402,034,139</b>	<b>1,054,064,761</b>
<b>Total Equity and Liabilities</b>		<b>5,315,648,641</b>	<b>3,765,755,463</b>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 28. The financial statements have been signed from the management of the Company on 15 February 2022:

Akan Ajdini  
CEO




Ervin Pecuni  
CFO



**IuteCredit Albania sh.a****Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2021**

(all amounts are expressed in Albanian Lek, unless otherwise stated)

	Notes	For the year ended on 31 December 2021	For the year ended on 31 December 2020
<b>Interest</b>			
Interest income		570,340,960	433,790,742
Interest expense		(488,388,871)	(406,296,254)
<b>Net interest income</b>	20	<b>81,952,089</b>	<b>27,494,488</b>
Commission income		1,182,275,295	1,036,043,617
Other income		1,354,622,924	1,025,265,426
<b>Commision and other income</b>	21	<b>2,536,898,220</b>	<b>2,061,309,043</b>
Provision for impairment of financial assets	9	(805,123,359)	(892,206,470)
Reversal of provisions for written off loans		128,758,056	297,290,025
Other provisions	11,16	(13,061,958)	(22,084,676)
Administrative expenses	22	(1,019,267,349)	(690,019,380)
Personnel expenses	23	(264,921,457)	(197,278,309)
Depreciation and amortisation	6, 7	(14,187,003)	(14,395,763)
Depreciation of leased assets	8	(37,468,199)	(35,949,579)
<b>Profit/Loss from operating activity</b>		<b>593,579,040</b>	<b>534,159,379</b>
Gain from foreign exchange		7,173,130	(3,760,315)
Interest expense for finance lease	15	(4,863,399)	(2,922,974)
<b>Net finance (costs)</b>		<b>2,309,731</b>	<b>(6,683,289)</b>
<b>Profit before tax</b>		<b>595,888,772</b>	<b>527,476,090</b>
Current income tax	24	(99,515,394)	(90,996,393)
<b>Income tax expense</b>		<b>(99,515,394)</b>	<b>(90,996,393)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>496,373,378</b>	<b>436,479,697</b>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 28.

**IuteCredit Albania sh.a****Statement of Changes in Equity for the year ended 31 December 2021**

(all amounts are expressed in Albanian Lek, unless otherwise stated)

	<b>Share Capital</b>	<b>Legal Reserve</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 January 2020</b>	<b>65,000,000</b>	<b>6,500,000</b>	<b>546,085,064</b>	<b>617,585,064</b>
Profit of the year 2020	-	-	436,479,697	436,479,697
Divident distribution	-	-	-	-
Other comprehensive income	-	-	-	-
Total Comprehensive Income for the year	-	-	436,479,697	436,479,697
<b>Balance at 31 December 2020</b>	<b>65,000,000</b>	<b>6,500,000</b>	<b>982,564,761</b>	<b>1,054,064,761</b>
Profit of the year 2021	-	-	496,373,378	496,373,378
Divident distribution	-	-	(148,404,000)	(148,404,000)
Other comprehensive income	-	-	-	-
Total Comprehensive Income for the year	-	-	347,969,378	347,969,378
<b>Balance at 31 December 2021</b>	<b>65,000,000</b>	<b>6,500,000</b>	<b>1,330,534,139</b>	<b>1,402,034,139</b>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 28.



**IuteCredit Albania sh.a****Statement of Cash Flows for the year ended 31 December 2021**

(all amounts are expressed in Albanian Lek, unless otherwise stated)

	Notes	2021	2020
<b>Cash flow from operating activities</b>			
<b>Profit after tax</b>		496,373,378	436,479,697
<i>Adjustments for:</i>			
Depreciation and amortisation		14,187,003	14,395,763
Depreciation from the rights to use the assets		37,468,199	35,949,579
Provision of financial assets		805,123,359	892,206,470
<b>Loss by activity before changes in working capital</b>		<b>1,353,151,938</b>	<b>1,379,031,509</b>
<i>Changes in working capital:</i>			
Decrease/(Increase) in loans to customers		(2,101,206,451)	(1,018,495,597)
Decrease/(Increase) in receivables from financial institutions		(5,470,107)	(4,028,970)
Decrease/(Increase) in other assets		(21,304,959)	(85,688)
Increase/(Decrease) in other liabilities		111,992,904	63,602,086
Increase/(Decrease) in lease liabilities		(30,365,052)	(18,837,569)
Increase/(Decrease) in trade and other payables		(54,076,320)	(5,656,529)
Increase/(Decrease) in income tax payable		(25,127,724)	(19,962,192)
<b>Net cash generated / (used) from operating activities</b>		<b>(772,405,773)</b>	<b>375,567,050</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		(22,048,281)	(11,097,910)
Increase in right to use the assets		4,183,788	(17,616,537)
<b>Net cash used in investing activities</b>		<b>(17,864,493)</b>	<b>(28,714,447)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(148,404,000)	-
Short term borrowings		(1,086,275,964)	(554,723,534)
Corporate bonds		(69,010,000)	-
Long term borrowings		2,354,785,955	(168,340,225)
<b>Net cash generated from financing activities</b>		<b>1,051,095,991</b>	<b>(723,063,759)</b>
<b>Net increase/(decrease) in cash during the year</b>		<b>260,825,725</b>	<b>(376,211,156)</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>257,233,023</b>	<b>633,444,179</b>
<b>Cash and cash equivalents as at at 31 December</b>		<b>518,058,748</b>	<b>257,233,023</b>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 28.

**IuteCredit Albania sh.a****Notes to the Financial Statements for the year ended 31 December 2021**

(all amounts are expressed in Albanian Lek, unless otherwise stated)

**1. General information**

The entity "Iute Credit Albania" sh.a was established as a joint stock company on 4 August 2014 and operates in accordance with the Law "On Commercial Companies" and other laws regulating business in Albania. In the National Registration Center (NRC) the Company is identified with NUIS L42011023U and its main headquarters are located at the address: "Andon Zako Cajupi Street", ND 3, Entry nr 2, Administrative Unit No. 5, Tirana.

Its registered capital is Lek 65,000,000 and is owned by the sole shareholder "AS Iute Credit Europe" based in Estonia, which is the final controlling party.

The company operates as microfinance institution and approved from the Bank of Albania with license no.32, dated 31 March 2015.

The structure of the shareholders of the Company as of 31 December 2021 and 2020 is as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
	%	%
AS Iute Credit Europe	100%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**2. Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The Financial Statements have been authorized from the management of the entity on 9 February 2022 for approval by the Assembly of Shareholders.

**3. Significant accounting policies****3.1 New and revised standards effective for the periods beginning on or after 1 January 2021**

- Amendments to References to Conceptual Framework in IFRS Standards 01 Jan 2020
- Definition of a Business (Amendments to IFRS 3) 01 Jan 2020
- Definition of Material (Amendments to IAS 1 and IAS 8) 01 Jan 2020
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) 01 Jan 2020

**Standards available for early adoption**

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) 01 Jun 2020

**Standards not / not yet endorsed by the EU**

- IFRS 17 Insurance Contracts ~Not yet endorsed
- Classification of liabilities as current or non-current (Amendments to IAS 1) ^Not yet endorsed
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

(all amounts are expressed in Albanian Lek, unless otherwise stated)

### **3. Significant accounting policies (continued)**

#### **3.2 Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost basis. The financial statements are presented in ALL. The principal accounting policies applied in the preparation of these financial statements are set out below.

Management prepared these financial statements on a going concern basis. Refer below for uncertainties and relating to events and conditions that may cast a significant doubt upon the entities ability to continue as a going concern.

#### **3.3 Foreign currency**

##### **a) Functional and presentation currency**

These financial statements are presented in Albanian Lek (Lek), unless otherwise stated, which is the Company's functional and presentation currency.

##### **b) Transactions in foreign currency**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Significant exchange rates in terms of Albanian LEK for 1 unit of foreign currency at the reporting date are presented below:

	<b>31 December 2021</b>	<b>31 December 2020</b>
EURO	120,76	123,70
USD	106,54	100,84

#### **3.4 Going concern**

The outbreak of the COVID-19 pandemic and the measures adopted by government of Albania to mitigate the pandemic's spread have impacted the Company. These measures required the Company to close its branches in various locations for periods of one month during March, with the Company generating its only revenues during those periods from its online sales through its website and other online methods. This has negatively impacted the Company's financial performance for the year and also its liquidity position.

For the year ended 31 December 2021, the Company recognized a net profit of 496,373,378 Lek (31 December 2020: 436,479,697 Lek). The Company's net current assets as at 31 December 2021 were 1,720,544,630 Lek (31 December 2020: 1,501,866,281 Lek).

### **3. Significant accounting policies (continued)**

#### **3.4 Going concern (continued)**

Based on the Company's liquidity position as at the date of authorization of these financial statements, and in light of the uncertainty surrounding the future development of the outbreak, management estimates that, it will need/(not need) additional financing to meet its financial obligations.

There is still significant uncertainty over how the outbreak will affect the Company's business in future periods.

The COVID-19 restrictions and regulations have been changing throughout the period based on the spread of the virus in Albania. As of the date of the preparation of these financial statements, it is difficult to estimate the potential restrictions that shall be implemented in Albania, and as a result, it is difficult to prepare a potential range of scenarios for each potential measure impact on the Company's operations for future periods.

Although, there is still uncertainty over how the future development of the outbreak will affect the Company, the management has a reasonable believe that it has adequate resources.

These financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

The management of the company believes that it has sufficient assets and has taken all necessary measures to ensure the sustainability and development of the business of the company under the current conditions. The ability of the company to continue its activity will also depend on its continued financial support from its shareholders.

#### **3.5. Property and equipment**

##### *(i) Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

##### *(ii) Subsequent costs*

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

##### *(iii) Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss using the declining balance method. Land is not depreciated. Annual depreciation rates are as follows:

	<b>2021</b>	<b>2020</b>
Furniture and supplies	20%	20%
Electronic equipment	25%	25%

### **3. Significant accounting policies (continued)**

#### **3.6 Intangible assets**

##### *(a) Software*

Licenses for purchased software are capitalized on the basis of the expenditure incurred to purchase and put into use the program. Brands and customer lists purchased during business combinations that qualify for recognition are recognized as intangible assets at fair value. Annual depreciation rates based on useful life estimated for computer programs are 25%.

#### **3.7 Right of use assets and lease liability**

##### *Leases classified as operating leases under IAS 17*

Right-of-use assets are measured at:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its largest property lease.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. items less than 5 thousand EURO or its equivalent in Lek).

##### *IFRS 16 Leases*

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2020. The weighted average rate applied is 7,92%.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

##### **As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

### **3. Significant accounting policies (continued)**

#### **3.7 Right of use assets and lease liability (continued)**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method.

#### **Short-term leases and leases of low-value assets**

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### **3.8 Financial assets and liabilities**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value and transaction costs are expensed in the profit or loss.

#### ***i. Classification and measurement of financial assets and financial liabilities***

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

#### ***i. Classification and measurement of financial assets and financial liabilities (continued)***

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Trade and other receivables are classified at amortised cost.

#### ***ii. Impairment of financial assets***

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

### **3. Significant accounting policies (continued)**

#### **3.9 Impairment of financial assets**

If, in a subsequent period, the amount of the impairment loss is reduced and the impairment may be associated with events occurring after the impairment has been recognized (such as an improvement in the credit index), the previously recognized impairment loss is changed by adjusting the reserve account. The amount of change is recognized in income and expenses.

#### **3.10 Impairment of non-financial assets**

The carrying amount of non-financial assets, other than inventories and deferred tax assets, is reviewed at each reporting date to see if there is any indicator of impairment. If such an indicator exists, then the recoverable amount of the asset is estimated. Impairment loss is recognized if the residual value of an asset or its cash flow generating unit exceeds its recoverable amount. A cash-generating unit is the least identifiable group of assets generating cash flows that are significantly independent of the assets or other groups. Impairment losses are recognized in profit or loss. The recoverable amount of an asset or a generating unit is the largest value between the value at its disposal and its fair value after deducting the costs of the sale. In estimating the value in use, future cash flows are discounted to their present value using a discount rate (before tax) that reflects current market valuations on the time value of the asset and the specific risks of the asset. Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment loss recovers to the extent that the residual value of the asset does not exceed the residual value that would have been determined after the amortization deduction if no impairment loss had been recognized.

#### **3.11 Share capital**

The capital of the Company consists of money contributed by the founders of the Society. The Company's capital is held at the equivalent value in Lek of the contribution received in foreign currency using the exchange rate of the date of the transaction. The subscribed capital of the Company is recognized at its nominal value.

#### **3.12 Cash and cash equivalents**

Cash includes cash on hand, current accounts in banks and other liquid assets with a maturity of not more than three months which are subject to non-significant changes in their market value and are used by the Company to manage its short-term commitments. Monetary assets are held at their amortized cost in the statement of financial position.

#### **3.13 Revenue recognition**

##### *(a) Interest income*

Calculation of the effective interest rate includes all commissions paid or received, transaction costs, and discounts or premiums that are a significant component of effective interest. Transaction costs are additional costs attributable directly to the acquisition, issue or sale of the asset or financial liability. Interest income and expense included in profit or loss includes interest on financial assets and liabilities at amortized cost on an effective interest basis.

### **3. Significant accounting policies (continued)**

#### *(b) Commission income*

Income from fees and commissions is incurred by the financial services offered by the Company. Revenues from fees and commissions are recognized at the time the service is provided. Fee and commission expenses that are an integral part of the effective interest rate for a financial asset or liability are included in the measurement of the effective interest rate. When a loan commitment is not expected to result in a loan withdrawal, commission fees are recognized in a straight line during the period of the arrangement.

#### **3.14 Other operating revenues**

Other operating income includes commissions and other administrative fees related to the administration of penalties, which are recognized during service delivery.

#### **3.15 Borrowings**

The borrowing costs that are directly related to the acquisition, construction or production of a qualifying asset that are assets that require a considerable period of time to become ready for the purpose of their use are added to the value of such assets, as long as these assets are needed to be ready for the intended use or to be sold. All other borrowing costs are recognized in income and expenses at the time they occur.

#### **3.16 Employee benefits**

##### *Compulsory health and social insurance*

In the normal course of business, the company carries out payments by its own name and in the name of its employees to contribute to the compulsory pension according to local legislation. The costs incurred by the company are charged to the statement of income at the time they occur

#### **3.17 Other operating expenses**

Other operating expenses are recognized on an accrual basis when they occur.

#### **3.18 Current and deferred income tax**

Profit tax expense includes current and deferred tax. Profit tax expense is recognized in income unless it refers to items recognized directly in equity or other comprehensive income. The current tax is the expected tax payable on the payable income of the year, using the tax rates adopted or substantially approved at the balance sheet date, and any adjustments to the profit tax payable for the previous year. The current profit tax rate is 15% on taxable profit.

Deferred tax is recognized using the balance method, creating provisions for temporary differences between the tax base and residual values of assets and liabilities for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they are reversed, based on the legislation in force or which will enter into force later in the repossession period.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reduced to the extent that the tax benefits related to them are likely to be realized.



### **3. Significant accounting policies (continued)**

#### **3.19 Provisions**

Provisions are recognized when: The Company has a current or constructive legal obligation as a result of past events; there is more to chance than a reduction in resources will be needed to pay off the obligation; and the amount can be estimated reliably.

If their effect is significant, provisions are determined by discounting the expected cash flows with a pre-tax rate that reflects the current valuation of the time value of money and, where appropriate, the specific liability-related risks. Provisions are reviewed every reporting date and if it is not possible for a resource reduction to be required to settle the obligation, the provisions should be canceled. Provisions are only used for the purpose for which it was originally created. Provisions are not recognized to cover future operating losses.

#### **3.20 Related party transactions**

Transactions with related parties include the shareholders and the directors of the company, together with the entities they control, which may exert considerable influence on the operations and management of the Company. Considering each potential third party attention is given to the essence of the relationship and not just the legal form.

#### **3.21 Contingencies and commitments**

Conditional liabilities are not recognized in the financial statements. They are reflected in the explanatory notes except where the opportunity to consume resources that have economic benefits is low. Conditional Assets are not recognized in the financial statements but are presented in explanatory notes when an entry of economic benefits is possible.

The amount of the contingent loss is recognized as proving if it is probable that future events will confirm the provision, an obligation is recognized on the statement of financial position when an acceptable loss estimate can be made reliably.

#### **3.22 Events after the reporting date**

Events after the reporting date that provide additional information on the Company's position on the financial position statement (regulatory events) are reflected in the financial statements. After-balance-sheet events that are not regulatory events are presented in the notes when they are material.

#### **4. Use of estimates and judgement**

In the application of the company's accounting policies set out in note 3, management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not clearly apparent from other sources. The related assessments and assumptions are based on historical experience and other factors that are considered relevant. Current results may differ from these estimates.

Judgement and assumptions are regularly reviewed. Revisions to accounting estimates are recognized in the period at which the assessment is reviewed if the review affects only that period or the review period and in future periods if the review affects both current and future periods.

##### *Uncertainty in estimation*

##### *Impairment of non-financial assets*

An impairment loss is recognized to the extent that the carrying amount of the asset exceeds its recoverable amount. When determining the recoverable amount, the direction estimates the expected prices and cash flows from each cash-generating unit and establishes an appropriate interest rate when calculating the present value of these flows.

##### *The useful lives of depreciable assets*

The management reviews the useful life of depreciable assets at each balance sheet date. The management judges that the determined useful life of assets represents the expected asset benefit. The carrying values of these assets are analyzed in Notes 6 and 7. However, actual results may change due to outflows out of use by technological changes.

##### *Impairment of financial assets*

The Company regularly tests the impairment of its receivables. When conducting these tests, the Company takes into account the regular payments made, ie the debtor, its financial position and operations, the receipt of payments from financial instruments and a number of other criteria used to assess the receivables.

Impairment of financial instruments: determining inputs into the ECL (expected credit losses) model, including incorporation of forward-looking information.

## **5. Financial risk management**

### **Financial risk factors**

The Company's policies and procedures provide guidance to monitor and manage the financial risks relating to the operations of the Company. These risks include credit risk, market risk (including currency risk and interest rate risk) and liquidity risk.

Risk management is carried out by the Management based on certain pre – approved written policies and procedures that cover overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of appropriate securities and investing excess liquidity

#### *Market risk*

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk which result from both its operating and investing activities.

#### *Foreign currencies risk*

The Company does not undertake transactions denominated in foreign currencies and, consequently, there are no exposures to exchange rate fluctuations.

#### *Cash flow and fair value interest rate risk*

The Company's income and operating cash flows are substantially dependent on changes in market interest rates. The Company's interest rates risk mainly arises from leases, interest-bearing assets and borrowings. Leases entered into a variable rate as well as borrowings with fixed interest rates expose the Company to cash flow interest rate risk. In order to mitigate its interest rate risk exposure, the Company enters into finance leasing contracts using terms similar to those borrowings are obtained. The finance leases are re-priced frequently to reflect developments in the market.

As result of the above, the Company achieved to a large extent a matching of the reprising risk on assets and liabilities by minimizing interest rate risk. If the market interest rate changed, this change would not have a significant impact on the Company financial result.

(all amounts are expressed in Albanian Lek, unless otherwise stated)

**5. Financial risk management (continued)***(a) Foreign exchange risk*

The exchange rate risk is the risk that comes as a result of the exchange rate fluctuation. The total exposure to the exchange rate risk for the company at 31 December 2021 and 2020 is as follows:

<b>31 December 2021</b>	<b>EURO</b>	<b>USD</b>	<b>Lek</b>	<b>Total</b>
<b>Financial assets</b>				
Loans and advances to customers	-	-	4,599,964,666	4,599,964,666
Cash and cash equivalents	318,690,713	-	199,368,713	518,058,749
Receivables with financial institutions	-	-	21,052,263	21,052,263
Other receivables	5,458	-	44,596,755	44,602,213
	<b>318,696,171</b>	<b>-</b>	<b>4,864,981,719</b>	<b>5,183,677,890</b>
<b>Financial liability</b>				
Borrowings	-	-	3,473,671,181	3,473,671,181
Corporate bonds	-	-	-	-
Lease liabilities	62,561,439	-	8,536,240	71,097,679
Trade and other payables	190,936,440	-	80,447,572	271,384,011
Other liabilities	-	-	64,054,482	64,054,482
	<b>253,497,879</b>	<b>-</b>	<b>3,626,709,474</b>	<b>3,880,207,353</b>
<b>Net position</b>	<b>65,198,293</b>	<b>-</b>	<b>1,238,272,244</b>	<b>1,303,470,537</b>
<b>31 December 2020</b>				
<b>Financial assets</b>				
Loans and advances to customers	-	-	3,303,881,573	3,303,881,573
Cash and cash equivalents	214,855,453	-	42,377,570	257,233,023
Receivables with financial institutions	-	-	15,582,156	15,582,156
Other receivables	-	-	23,297,254	23,297,254
	<b>214,855,453</b>	<b>-</b>	<b>3,385,138,553</b>	<b>3,599,994,006</b>
<b>Financial liability</b>				
Borrowings	-	-	2,205,161,190	2,205,161,190
Corporate bonds	-	-	69,010,000	69,010,000
Lease liabilities	76,696,362	-	24,766,369	101,462,731
Trade and other payables	87,849,622	-	84,217,643	172,067,265
Other liabilities	-	-	118,130,802	118,130,802
	<b>164,545,984</b>	<b>-</b>	<b>2,501,286,004</b>	<b>2,665,831,988</b>
<b>Net position</b>	<b>50,309,469</b>	<b>-</b>	<b>883,852,549</b>	<b>934,162,018</b>

(all amounts are expressed in Albanian Lek, unless otherwise stated)

**5. Financial risk management (continued)**

A sensitivity test performed by an increase-decrease in exchange rates during the period for a range of potential changes of 1% to 5%, as at the reporting date of the financial statements would have increased / decreased the profit for the period from 651,983 LEK to 3,259,915 LEK respectively (31 December 2020 from 503,095 LEK to 2,515,473 LEK).

*(b) Credit risk*

Credit risk is the risk that counterparty fails to discharge an obligation to the Company. The Company's total exposure to credit risk as at 31 December 2021 and 2020 is presented below:

	2021	2020
Loans and advances to customers	4,599,964,666	3,303,881,573
Cash and cash equivalents	518,058,749	257,233,023
Receivables with financial institutions	21,052,263	15,582,156
Other receivables	44,602,213	23,297,254

The Company has policies in place to ensure that finance services are provided to customers with an appropriate credit history.

***Credit risk management is realised through:***

- Adoption of credit risk policies containing criteria for credit assessment, risk grading and reporting, documentary and legal procedures as well as compliances to regulatory and statutory requirements.
- Establishing and monitoring of the delegation levels and escalating process regarding credit approvals.
- Reviewing and assessing credit risk.
- Developing and maintaining the Company's risk grading in order to categorize exposures according to the degree of credit risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.

Receivables that have not recorded delays and are not depreciated represent contracts with no due days in repayment of principal and interest. The loan portfolio is tested for impairment at each reporting date.

There are no significant credit risk concentrations because the portfolio is formed by a large number of small customers.

The Company has developed a system for assessing the borrowing ability and the portfolio client's situation that shows no evidence of impairment, which is determined on a portfolio basis, and depends on the dates of payment under the contracts.

(all amounts are expressed in Albanian Lek, unless otherwise stated)

## **5. Financial risk management (continued)**

### *(b) Credit risk*

#### **Inputs, assumptions and techniques used for estimating impairment**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company has implemented a model based on which the financial instruments are classified into three stages as follows:

- Stage 1 – When a loan is first recognized, or loans where the credit risk is improved and loans are reclassified from Stage 2 to Stage 1, all non-defaulted loans with less than 5 days past due;
- Stage 2 – When a loan has shown a significant increase in the credit risk, or loans where the credit risk is improved and loans are reclassified from Stage 3 to Stage 2, all non-defaulted loans with more than 5 days past due;
- Stage 3 – Loans considered as credit impaired, all defaulted loans.

Upon initial recognition financial instruments are classified under stage 1, the 12 months expected credit losses model is used to assess the ECL.

Under stage 2 and 3, the lifetime expected credit losses model is used to assess the ECL.

The Company has defined and estimated the following three factors when estimating ECL:

- The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD (probability of default) of exposures and how these are expected to change as a result of the passage of time.
- The Company estimates the LGD (loss given default) at each reporting date, which represents the percentage out of the exposure lost by the Company in case the client defaults.
- The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The calculation considers the future estimated evolution of the GDP growth.

(all amounts are expressed in Albanian Lek, unless otherwise stated)

**5. Financial risk management (continued)***(b) Credit risk (continued)*

Loans and advances to customers of the Company on 31 December 2021 are as follows:

**31 December 2021**

	<b>Total receivable</b>	<b>Provision</b>	<b>Net receivables</b>
30 days past due	4,200,811,581	71,987,766	4,128,823,814
Within 31-90 days past due	225,200,612	84,395,426	140,805,185
Within 91-180 days past due	215,237,105	79,077,371	136,159,734
Within 181-365 days past due	322,898,738	161,104,612	161,794,126
Over 365 days past due	213,802,112	181,420,306	32,381,806
<b>Total</b>	<b><u>5,177,950,147</u></b>	<b><u>577,985,481</u></b>	<b><u>4,599,964,666</u></b>

Loans and advances to customers of the Company on 31 December 2020 are as follows:

**31 December 2020**

	<b>Total receivable</b>	<b>Provision</b>	<b>Net receivables</b>
30 days past due	2,968,452,326	85,565,875	2,882,886,451
Within 31-90 days past due	523,543,273	258,665,249	264,878,024
Within 91-180 days past due	145,512,219	76,258,898	69,253,321
Within 181-365 days past due	133,839,130	61,423,563	72,415,567
Over 365 days past due	80,139,007	65,690,797	14,448,210
<b>Total</b>	<b><u>3,851,485,955</u></b>	<b><u>547,604,382</u></b>	<b><u>3,303,881,573</u></b>

The liquidity risk of liquid funds and derivative financial instruments is limited because the other parties are the bank with a high level of credit assessment attributed by the international credit rating agencies.

**Write off policies**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The decision to write off loans is taken based an analysis of the following triggers:

- The loan is classified as problematic and the Company has no reasonable assurance for recovering the loan;
- The client has died and has no other related family and/or guarantee to repay the loan;
- The loan is more than 365 days past due;
- The loan is classified as lost from supervisory authorities and its write off is required.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**5. Financial risk management (continued)**

*(c) Liquidity risk*

The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Company's contractual maturity of its financial assets and liabilities with agreed repayment period:

<b>31 December 2021</b>	<b>Up to 6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets</b>						
Loans and advances to customers	1,613,803,294	1,012,437,668	1,506,076,462	467,647,242	-	4,599,964,665
Cash and cash equivalents	518,058,749	-	-	-	-	518,058,749
Receivables with financial institutions	21,052,263	-	-	-	-	21,052,263
Other receivables	44,602,213	-	-	-	-	44,602,213
	<b>2,197,516,518</b>	<b>1,012,437,668</b>	<b>1,506,076,462</b>	<b>467,647,242</b>	<b>-</b>	<b>5,183,677,890</b>
<b>Financial liability</b>						
Borrowings	183,267,744	92,011,327	182,509,110	3,015,883,000	-	3,473,671,181
Corporate bonds	-	-	-	-	-	-
Lease liabilities	-	32,124,020	-	38,973,659	-	71,097,679
Trade and other payables	271,384,011	-	-	-	-	271,384,011
Other liabilities	64,054,482	-	-	-	-	64,054,482
	<b>518,706,237</b>	<b>124,135,347</b>	<b>182,509,110</b>	<b>3,054,856,659</b>	<b>-</b>	<b>3,880,207,352</b>
<b>Net position</b>	<b>1,678,810,281</b>	<b>888,302,321</b>	<b>1,323,567,352</b>	<b>(2,587,209,417)</b>	<b>-</b>	<b>1,303,470,537</b>
<b>31 December 2020</b>						
	<b>Up to 6 months</b>	<b>6-12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets</b>						
Loans and advances to customers	1,371,997,286	721,596,492	1,083,170,082	127,117,714	-	3,303,881,573
Cash and cash equivalents	257,233,023	-	-	-	-	257,233,023
Receivables with financial institutions	15,582,156	-	-	-	-	15,582,156
Other receivables	14,595,623	8,701,630	-	-	-	23,297,254
	<b>1,659,408,088</b>	<b>730,298,122</b>	<b>1,083,170,082</b>	<b>127,117,714</b>	<b>-</b>	<b>3,599,994,005</b>
<b>Financial liability</b>						
Borrowings	1,090,051,598	1,115,109,592	-	-	-	2,205,161,190
Corporate bonds	-	69,010,000	-	-	-	69,010,000
Lease liabilities	-	33,425,895	-	68,036,836	-	101,462,731
Trade and other payables	172,067,265	-	-	-	-	172,067,265
Other liabilities	89,270,671	28,860,131	-	-	-	118,130,802
	<b>1,351,389,535</b>	<b>1,246,405,617</b>	<b>-</b>	<b>68,036,836</b>	<b>-</b>	<b>2,665,831,988</b>
<b>Net position</b>	<b>308,018,553</b>	<b>-516,107,495</b>	<b>1,083,170,082</b>	<b>59,080,878</b>	<b>-</b>	<b>934,162,017</b>



(all amounts are expressed in Albanian Lek, unless otherwise stated)

**6. Property plant and equipment**

	<b>Furniture and supplies</b>	<b>Electronic equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Cost</b>				
On 1 January 2020	<b>22,657,465</b>	<b>19,465,402</b>	<b>11,796,203</b>	<b>53,919,069</b>
Additions	5,481,426	2,977,570	3,220,543	11,679,539
Disposals	(485,747)	(583,605)	-	(1,069,352)
<b>As at 31 December 2020</b>	<b>27,653,143</b>	<b>21,859,367</b>	<b>15,016,746</b>	<b>64,529,257</b>
Additions	5,698,869	13,341,173	3,606,320	22,646,362
Disposals	(809,548)	(401,649)	-	(1,211,197)
<b>As at 31 December 2021</b>	<b>32,542,464</b>	<b>34,798,891</b>	<b>18,623,066</b>	<b>85,964,422</b>
<b>Accumulated Depreciation</b>				
On 1 January 2020	<b>(4,869,214)</b>	<b>(5,211,941)</b>	<b>(851,702)</b>	<b>(10,932,857)</b>
Depreciation for the year	(4,076,104)	(3,972,928)	(688,678)	(8,737,710)
Disposals	179,758	307,965	-	487,723
<b>As at 31 December 2020</b>	<b>(8,765,560)</b>	<b>(8,876,904)</b>	<b>(1,540,380)</b>	<b>(19,182,844)</b>
Depreciation for the year	(2,796,389)	(5,632,215)	(1,514,845)	(9,943,449)
Disposals	612,995	-	-	612,995
<b>As at 31 December 2021</b>	<b>(10,948,954)</b>	<b>(14,509,119)</b>	<b>(3,055,225)</b>	<b>(28,513,298)</b>
On 1 January 2020	<b>17,788,250</b>	<b>14,253,461</b>	<b>10,944,501</b>	<b>42,986,212</b>
<b>As at 31 December 2020</b>	<b>18,887,583</b>	<b>12,982,463</b>	<b>13,476,366</b>	<b>45,346,412</b>
<b>As at 31 December 2021</b>	<b>21,593,510</b>	<b>20,289,772</b>	<b>15,567,842</b>	<b>57,451,124</b>

**7. Intangible assets**

	<b>Intangible assets</b>	<b>Total</b>
<b>Cost</b>		
On 1 January 2020	<b>37,103,626</b>	<b>37,103,626</b>
Additions	-	-
<b>As at 31 December 2020</b>	<b>37,103,626</b>	<b>37,103,626</b>
Additions	120	120
<b>As at 31 December 2020</b>	<b>37,103,746</b>	<b>37,103,746</b>
<b>Accumulated Depreciation</b>		
On 1 January 2020	<b>(14.471.417)</b>	<b>(14.471.417)</b>
Depreciation for the year	(5.658.053)	(5.658.053)
<b>As at 31 December 2020</b>	<b>(20.129.470)</b>	<b>(20.129.470)</b>
Depreciation for the year	(4,243,554)	(4,243,554)
<b>As at 31 December 2021</b>	<b>(24,373,023)</b>	<b>(24,373,023)</b>
<b>Net book value</b>		
On 1 January 2020	22,632,211	22,632,211
<b>As at 31 December 2020</b>	<b>16,974,156</b>	<b>16,974,156</b>
<b>As at 31 December 2021</b>	<b>12,730,722</b>	<b>12,730,722</b>

(all amounts are expressed in Albanian Lek, unless otherwise stated)

**8. Right of use assets**

<b>Cost</b>	
Balance at 1 January 2020	149,378,075
Additions	17,616,537
<b>Balance as at 31 December 2020</b>	<b>166,994,612</b>
Additions	(4,183,788)
<b>Balance as at 31 December 2021</b>	<b>162,810,824</b>
<b>Accumulated depreciation</b>	
Balance at 1 January 2020	(27,604,144)
<b>Depreciation of the period</b>	<b>(35,949,579)</b>
<b>Balance as at 31 December 2020</b>	<b>(63,553,723)</b>
Depreciation of the period	(37,468,199)
<b>Balance as at 31 December 2021</b>	<b>(101,021,922)</b>
<b>As at 31 December 2020</b>	<b>103,440,889</b>
<b>As at 31 December 2021</b>	<b>61,788,902</b>

**9. Loans and advances to customers**

Loans and advances to customers as of 31 December 2021 and 31 December 2020 are as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Loans and advances to customers long term	3,468,645,956	949,460,340
Loans and advances to customers short term	1,709,304,191	2,902,025,615
Impairment provision	(577,985,481)	(547,604,382)
<b>Total</b>	<b>4,599,964,666</b>	<b>3,303,881,573</b>

Provisions for the impairment of loans granted are detailed as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Loan provision		
30 days past due	71,987,766	85,565,876
Within 31-90 days past due	84,395,426	258,665,249
Within 91-180 days past due	79,077,371	76,258,898
Within 181-365 days past due	161,104,612	61,423,563
Over 365 days past due	181,420,306	65,690,797
<b>Total</b>	<b>577,985,481</b>	<b>547,604,382</b>

Movement in provisions for impairment of loans is as follows:

	<b>2021</b>	<b>2020</b>
Movement in provisions		
Balance as at 1 January	547,604,380	620,185,449
Impairment expense during the period	805,123,359	892,206,469
Impairment reversal due to written off interests	(645,984,202)	(667,497,511)
Impairment reversal due to written off principal	(128,758,056)	(297,290,026)
<b>Balance as at 31 December</b>	<b>577,985,481</b>	<b>547,604,380</b>

(all amounts are expressed in Albanian Lek, unless otherwise stated)

**10. Cash and cash equivalents**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Cash in banks	336,918,749	257,233,023
Short term deposit	181,140,000	-
<b>Total</b>	<b>518,058,749</b>	<b>257,233,023</b>

**11. Receivables from financial institutions**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Receivables from financial institutions	39,216,968	33,746,860
Impairment for receivables from financial institutions	(18,164,705)	(18,164,705)
<b>Total</b>	<b>21,052,263</b>	<b>15,582,156</b>

**12. Other receivables**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Customers	4,839,920	1,618,814
Other debtors	13,241,577	10,005,830
Prepayments	9,836,836	-
Receivables from execution	10,165,257	8,701,630
Receivables interest	5,458	-
Deferred expenses	4,051,024	2,677,764
Other receivables	22,880,369	15,765,670
Receivables from third parties	18,164,705	18,164,705
Impairment for receivables from third parties	(18,164,705)	(18,164,705)
Impairment for other receivables	(20,418,228)	(15,472,455)
<b>Total</b>	<b>44,602,213</b>	<b>23,297,254</b>

**13. Loan payable**

Long term loan payable are stated as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Borrowing from AS IuteCredit Europe	3,201,538,000	185,655,000
Borrowing from Mintos Market Place AS	20,630,057	761,727,101
Borrowings from Tirana Bank	80,000,000	-
<b>Total</b>	<b>3,302,168,057</b>	<b>947,382,101</b>

**IuteCredit Albania sh.a****Notes to the Financial Statements for the year ended 31 December 2021**

(all amounts are expressed in Albanian Lek, unless otherwise stated)

**13. Loan payable (continued)**

Short term loan payable are stated as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Borrowing from Mintos Market Place AS	21,309,872	1,044,698,389
Borrowing from Tirana Bank	80,000,000	200,000,000
Accrued interest for the borrowing	70,025,328	1,221,497
Accrued interest for the borrowing from Mintos Market Place AS	167,925	11,755,384
Credit card	-	103,820
<b>Total</b>	<b>171,503,125</b>	<b>1,257,779,089</b>

**14. Corporate Bonds**

The Company corporate bonds at a nominal value amounts to 67.000.000 Lek as at 31 December 2020. The short term portion of the interest payable related to these corporate bonds amounts to 2.010.000 Lek as at 31 December 2020. As at 31 December 2021 these corporate bonds are fully paid.

**15. Lease liability**

Lease liability as at 31 December 2020 is as follows:

	<b>31 December 2021</b>	<b>1 January 2020</b>
Short term	32,124,020	33,425,895
Long term	38,973,659	68,036,836
<b>Total</b>	<b>71,097,679</b>	<b>101,462,731</b>

**16. Provisions**

Provisions amounting to 23,780,511 Lek as at 31 December 2021 (31 December 2020: 11,104,353 Lek), relate to the provisions created by the Company for potential claims from third parties.

**17. Trade and other payables**

Trade and other payables are stated as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Accruals	33,254,376	62,299,684
Trade payables	225,260,702	102,103,259
Grants	18,919	44,144
Prepayments received	12,850,015	7,620,178
<b>Total</b>	<b>271,384,011</b>	<b>172,067,265</b>

**IuteCredit Albania sh.a****Notes to the Financial Statements for the year ended 31 December 2021**

(all amounts are expressed in Albanian Lek, unless otherwise stated)

**18. Other payables**

Other short term payables are stated as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Deferred revenues	13,858,087	57,720,261
VAT payable	11,553,896	41,847,235
Salary payable	3,728,460	2,185,922
Social and health contribution payable	5,075,523	3,806,047
Personal income tax payable	7,073,119	4,110,005
Bonuses for employees	17,482,850	8,781,220
Other employee liabilities	74,000	-
Withholding tax	5,208,547	(319,888)
<b>Total</b>	<b>64,054,482</b>	<b>118,130,802</b>

**19. Share capital**

The registered capital of the company, presented in the balance sheet, is the same as that set forth in the company's charter and the decisions deposited at the GCB. The registered capital as of 31.12.2021 is 65,000,000 Lek, divided into 65,000 shares with a nominal value of 1,000 Lek / share. The registered capital is owned by the sole shareholder of "AS IuteCredit Europe" based in Estonia. On 2 November 2016, with the decision of the sole shareholder, the increase of the registered capital amounted to 50,000,000 ALL and the shares with the contribution of money were settled immediately.

The legal reserve amounts to 6,500,000 Lek as at 31 December 2021 and 2020.

**20. Net interest income**

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Interest income</b>		
Interest income from loans and advances to customers	570,334,728	433,790,743
Income from bank interest	6,231	-
<b>Interest expense</b>		
Other financial expenses	(113,897,161)	(138,516,307)
Interest expense from borrowing from Mintos	(271,431,453)	(248,765,186)
Interest expense from borrowing from parent company	(103,060,257)	(19,014,762)
<b>Total</b>	<b>81,952,089</b>	<b>27,494,488</b>

**21. Commission and other income**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Commission income	1,182,275,295	1,036,043,617
Other income	1,354,622,924	1,025,265,426
<b>Total</b>	<b>2,536,898,220</b>	<b>2,061,309,044</b>

(all amounts are expressed in Albanian Lek, unless otherwise stated)

**22. Administrative expenses**

Administrative expenses are composed as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Marketing and advertising	56,367,164	17,633,691
Management compensation and agent bonuses	104,429,656	78,475,932
Expenses for marketing, IT and consultancy	328,421,459	464,234,209
Repair and maintenance PPE	2,498,880	2,207,788
Administrative expenses debt collection and legal	53,883,883	46,019,751
Postal and communication expenses	26,255,985	24,074,718
Consultancy expenses	4,738,824	4,267,852
Travel and accomodation	2,543,990	1,090,075
Bank commissions	1,078,850	1,553,685
Transport	29,352,240	2,870,208
Energy, water and utilities	3,385,735	2,781,208
IT expenses	209,936,845	4,194,678
Other	196,373,838	40,615,585
<b>Total</b>	<b><u>1,019,267,349</u></b>	<b><u>690,019,380</u></b>

**23. Personnel expenses**

Personnel expenses are composed as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Salary and compensation	228,574,185	159,811,864
Social and health contributions	27,160,359	20,679,437
Bonuses	9,186,913	16,787,007
<b>Total</b>	<b><u>264,921,457</u></b>	<b><u>197,278,309</u></b>

(all amounts are expressed in Albanian Lek, unless otherwise stated)

**24. Income tax expense**

Calculated tax on the profit before the Company's profit differs from the amount that should be utilized by the weighted average tax rate applied to the Company's result as follows:

	Tax rate	2021	Tax rate	2020
<b>Profit before income tax</b>		<b>595,888,762</b>		<b>527,476,090</b>
Income tax at 15% rate	15%	89,383,314	15%	79,121,414
<i>Fiscal effect for:</i>				
<i>Undeductable expense from the application of IFRS 16 on 31 December 2019</i>				
Actual operating lease expenses for 2019		(5,811,520)		(5,579,865)
Interest expenses from lease liability from IFRS 16		729,510		438,446
Depreciation charge from the right to use assets from IFRS 16		5,620,230		5,392,437
Exchange rate effects from IFRS 16		(538,222)		(134,380)
Provision expenses		1,959,294		3,312,701
Depreciation, fines and penalties		2,333,494		663,849
Interest expense		5,839,292		7,781,791
<b>Income tax expense</b>		<b>99,515,394</b>		<b>90,996,393</b>

Income tax payable as at 31 December 2021 is 9,626,637 Lek (2020: 34,754,361 Lek).

**25. Related parties' transactions**

In conducting business, the Company has entered into various business transactions with related parties. The related parties with which the Company has conducted business transactions are as follows:

	<b>2021</b>	<b>2020</b>
<b>AS Iute Credit Europe</b>		
<b>Statement of profit and loss</b>		
Interest and commission expenses	103,060,257	19,014,762
Management fees expenses	687,666,340	214,510,776
Group guarantee expenses	88,464,660	257,170,558
<b>Statement of financial position</b>		
Accrued interest	70,025,328	1,221,497
	3,201,538,00	185,655,000
Borrowing	0	
Payables inside the Group	187,997,530	86,958,979
<b>Management compensation</b>		
Salary including bonuses and other benefits	40,371,146	33,104,908

**26. Contingencies and commitments***Legal Disputes*

During normal business activity, the Company is not involved in legal matters. During 2021, the Company is under a legal process with third parties, claiming potential liabilities from the Company. Due to the above the Company has created a provision for potential legal claims during 2021, as disclosed in Note 16.

*Tax liabilities*

For 2016-2021, the Company's records and bookkeepers have not been inspected by the local tax authorities. The company has followed all the rules in the calculation of tax liabilities, however their interpretations by the tax authorities may differ from those of the Company.



(all amounts are expressed in Albanian Lek, unless otherwise stated)

**27. Other notes**

Disclosed under Note 23 are Personnel Expenses. A detailed breakdown of average number of employees for each category of employees is detailed as follows:

	<b>Employee Category</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
<i>Average number of employees</i>		6	6
Salary expenses	High Management	54,225,154	33,938,908
Social charges expenses	High Management	2,398,828	1,728,444
<i>Average number of employees</i>		20	24
Salary expenses	Middle Management	48,145,205	47,105,323
Social charges expenses	Middle Management	5,024,300	5,300,205
<i>Average number of employees</i>		102	115
Salary expenses	Other staff	135,390,739	95,554,386
Social charges expenses	Other staff	19,737,231	13,651,043
<b>Total</b>		<b>264,921,457</b>	<b>197,278,309</b>

**28. Events after the reporting date**

Restrictive measures due to the pandemic of Covid-19, continue to be in force during January-February 2022. Until the date of issuance of these financial statements, this event is considered as an event with no regulatory effects for the year ended 31 December 2021.

There are no other events after the reporting date that may require adjustments or presentation of information in the Company's financial statements.